

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Fowlerville	County Livingston
Fiscal Year End June 30, 2007	Opinion Date November 8, 2007	Date Audit Report Submitted to State November 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

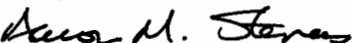
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Aaron M. Stevens, CPA	
		License Number 1101024055	

**Village of Fowlerville
Livingston County, Michigan**

FINANCIAL STATEMENTS

June 30, 2007

Village of Fowlerville
Livingston County, Michigan

June 30, 2007

VILLAGE COUNCIL AND ADMINISTRATION

Mr. Wayne Copeland	President
Mr. Mike Stock	Council Member Pro-tem
Mr. Mick Longstreet	Council Member
Mr. David Kuehn	Council Member
Ms. Mary Helfmann	Council Member
Ms. Carol Hill	Council Member
Ms. Marjorie Carlon	Council Member
Mr. Joseph Merucci	Village Manager
Ms. Sherry Prevo	Treasurer
Ms. Doreen Murphy	Clerk

Village of Fowlerville

TABLE OF CONTENTS

June 30, 2007

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	ii-ix
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets - Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9-10
Combining Statement of Net Assets - Component Units	11
Combining Statement of Activities - Component Units	12
Notes to Financial Statements	13-28
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule - Revenues and Other Financing Sources	29
Budgetary Comparison Schedule - Expenditures	30
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	31-32
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	33-34
COMPONENT UNIT FUNDS	
DOWNTOWN DEVELOPMENT AUTHORITY	
Balance Sheet	35
Reconciliation of the Balance Sheet to the Statement of Net Assets	36
Statement of Revenues, Expenditures, and Changes in Fund Balances	37
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	38
LOCAL DEVELOPMENT FINANCE AUTHORITY	
Balance Sheet	39
Reconciliation of the Balance Sheet to the Statement of Net Assets	40
Statement of Revenues, Expenditures, and Changes in Fund Balances	41
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	42

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Fowlerville
Fowlerville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Fowlerville's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 8, 2007

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

The following is a discussion and analysis of the Village of Fowlerville's financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2007. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the Village of Fowlerville's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets or the amount assets exceeded liabilities were \$11,592,251 at the close of 2007 (excluding component units).
- Governmental activities net assets were \$3,540,557.
- Business-type activities net assets were \$8,051,694.
- Component unit net assets were \$318,101.

Fund Level:

- At the close of the fiscal year, the Village of Fowlerville's governmental funds reported a combined ending fund balance of \$1,560,107 with \$152,602 being reserved for specific purposes.
- The General Fund's fund balance increased by \$171,481. This increase in fund balance was due to conservative budgeting, which ensured revenues exceeded expenditures.

Capital and Long-term Debt Activities:

- The total long-term debt for the governmental activities of the primary government was \$25,000.
- The total long-term debt for the business-type activities of the primary government was \$3,126,238.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the Village of Fowlerville consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis*; and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information*, such as budget to actual comparisons for the General Fund, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds.

Government-wide Financial Statements (Reporting the Village of Fowlerville as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Village of Fowlerville as a whole and about its activities. Their purpose is to assist in answering the question, is the Village of Fowlerville, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Village of Fowlerville's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Village of Fowlerville's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Village of Fowlerville's net assets changed during fiscal year 2007. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Both statements report the following activities:

- **Governmental Activities** - Most of the Village of Fowlerville's basic services are reported under this category. Taxes, charges for services, and intergovernmental revenue primarily fund these services. Most of the Village of Fowlerville's general government departments such as the police department, the Village Council, public works, the Village's share of fire costs, and recreation programs are reported under these activities. This also includes activities such as the Major and Local street maintenance, the cemetery, and the various refuse services.
- **Business-type Activities** - These activities operate like private businesses. The Village of Fowlerville charges fees to recover the cost of the services provided. The Village of Fowlerville Water & Sewer System services are examples of such activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the Village of Fowlerville's Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the Village of Fowlerville. Organizations included as component units are the Downtown Development Authority and the Local Development Finance Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

Fund Financial Statements (Reporting the Village of Fowlerville Major Funds)

The fund financial statements, which begin on page 3, provide information on the Village of Fowlerville's significant (major) funds and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village of Fowlerville uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Motor Pool) as well as enterprise funds such as the Water Fund.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. GASB Statement No. 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues, or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Fowlerville include the General Fund, Municipal Street Fund, the Sewer Fund, and the Water Fund. All other funds are classified as nonmajor funds and are reported in aggregate. The Village of Fowlerville includes detailed information on its nonmajor funds in other supplementary sections of this report.

The Village of Fowlerville's funds are divided into two categories - governmental and proprietary, and use different accounting approaches:

- **Governmental Funds** - Most of the Village of Fowlerville's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village of Fowlerville's programs. The *General Fund* is a Governmental Fund.
- **Proprietary Funds** - Services for which the Village of Fowlerville charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the Village of Fowlerville's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 13 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together by fund type and are presented in aggregate single columns in the appropriate basic financial statements.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville AS A WHOLE

As previously stated, the Village of Fowlerville's combined net assets were \$11,592,251 at the end of this fiscal year. The net assets of the governmental activities were \$3,540,557 and the business-type activities were \$8,051,694.

Net Assets as of June 30, 2006 and 2007

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Current and Other Assets	\$ 1,749,943	\$ 1,900,438	\$ 1,752,661	\$ 2,138,482	\$ 3,502,604	\$ 4,038,920
Capital Assets	<u>1,490,761</u>	<u>1,879,101</u>	<u>9,061,125</u>	<u>9,149,703</u>	<u>10,551,886</u>	<u>11,028,804</u>
Total Assets	<u>\$ 3,240,704</u>	<u>\$ 3,779,539</u>	<u>\$10,813,786</u>	<u>\$11,288,185</u>	<u>\$14,054,490</u>	<u>\$15,067,724</u>
Current Liabilities	\$ 417,413	\$ 148,697	\$ 147,744	\$ 229,881	\$ 565,157	\$ 378,578
Noncurrent Liabilities	<u>105,465</u>	<u>90,285</u>	<u>3,133,720</u>	<u>3,006,610</u>	<u>3,239,185</u>	<u>3,096,895</u>
Total Liabilities	<u>\$ 522,878</u>	<u>\$ 238,982</u>	<u>\$ 3,281,464</u>	<u>\$ 3,236,491</u>	<u>\$ 3,804,342</u>	<u>\$ 3,475,473</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 1,412,011	\$ 1,854,101	\$ 5,821,177	\$ 6,023,465	\$ 7,233,188	\$ 7,877,566
Restricted	245,119	282,934	-	-	245,119	282,934
Unrestricted	<u>1,060,696</u>	<u>1,403,522</u>	<u>1,711,145</u>	<u>2,028,229</u>	<u>2,771,841</u>	<u>3,431,751</u>
Total Net Assets	<u>\$ 2,717,826</u>	<u>\$ 3,540,557</u>	<u>\$ 7,532,322</u>	<u>\$ 8,051,694</u>	<u>\$10,250,148</u>	<u>\$11,592,251</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village of Fowlerville's net assets changed during the fiscal year:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Revenues						
Program Revenues						
Charges for Services	\$ 329,780	\$ 690,937	\$ 1,117,451	\$ 1,285,310	\$ 1,447,231	\$ 1,976,247
Operating Grants and Contributions	340,907	266,735	-	-	340,907	266,735
Capital Grants and Contributions	320,000	102,980	-	222,278	320,000	325,258
General Revenues						
Property Taxes	934,245	974,255	-	-	934,245	974,255
State Shared Rev.	296,709	287,693	-	-	296,709	287,693
Investment Earnings	50,069	66,730	56,041	85,846	106,110	152,576
Miscellaneous	30,042	14,365	-	-	30,042	14,365
Transfers	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>-0-</u>
Total Revenues	2,391,752	2,403,695	1,173,492	1,593,434	3,565,244	3,997,129

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Expenses						
General Government	\$ 586,737	\$ 535,706	\$ -	\$ -	\$ 586,737	\$ 535,706
Public Safety	509,346	558,677	-	-	509,346	558,677
Public Works	406,044	623,867	-	-	406,044	623,867
Community and Economic Develop.	20,930	8,830	-	-	20,930	8,830
Recreation and Cultural	57,557	62,185	-	-	57,557	62,185
Other	302,003	-	-	-	302,003	-0-
Interest on long-term debt	10,154	3,704	-	-	10,154	3,704
Sewer	-	-	508,960	659,670	508,960	659,670
Water	-	-	322,239	414,392	322,239	414,392
Total Expenses	<u>1,892,771</u>	<u>1,792,969</u>	<u>831,199</u>	<u>1,074,062</u>	<u>2,723,970</u>	<u>2,867,031</u>
Increase (Decrease) in Net Assets	498,981	610,726	342,293	519,372	841,274	1,130,098
Restated Net Assets - Beginning	<u>2,218,845</u>	<u>2,929,831</u>	<u>7,190,029</u>	<u>7,532,322</u>	<u>9,408,874</u>	<u>10,462,153</u>
Net Assets - Ending	<u>\$ 2,717,826</u>	<u>\$ 3,540,557</u>	<u>\$ 7,532,322</u>	<u>\$ 8,051,694</u>	<u>\$10,250,148</u>	<u>\$11,592,251</u>

Governmental Activities:

The result of fiscal year 2007 governmental activity was an increase of \$610,726 in net assets to \$3,540,557. Of the total governmental activities' net assets, \$1,854,101 is invested in capital assets less related debt and \$282,934 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the Village of Fowlerville's government. The balance of \$1,403,522 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories in governmental activities were property taxes at 40.5%; charges for services at 28.7%; and State Shared Revenue at 12.0%. The Village of Fowlerville levies a property tax millage for general government operations at 8.5048 mills, which is not assigned to any specific service or activity. The Village also levies .4698 mills of special voted millage for mosquito abatement, 2.0409 mills for refuse services, including weekly garbage pick-up, composting, chipping, and leaf pick-up. Lastly, the Village levies 3.4017 mills for street maintenance and construction and .6802 mills for cemetery maintenance.

Expenses:

Public Works is the largest governmental activity, expending \$623,867 of the approximately \$1.8 million total expenses. This activity includes the annual costs for the maintenance and construction of the Village's major, local and municipal streets.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Business-type Activities:

Net assets in the business-type activities increased by \$519,372 during the fiscal year 2007. This was mainly due to additions to capital assets of \$330,171 and higher charges for services.

Of the total \$8,051,694 of net assets in the business-type activities, \$2,028,229 is reported as unrestricted and \$6,023,465 is invested in capital assets (net of related debt).

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville MAJOR AND NONMAJOR FUNDS

As the Village of Fowlerville completed fiscal year 2007, its governmental funds reported *combined* fund balances of \$1,560,107. The net changes are summarized in the following chart:

	General Fund	Nonmajor Governmental Funds
Fund Balance 6/30/06	\$ 603,181	\$ 623,061
Fund Balance 6/30/07	\$ 774,662	\$ 785,445
Net Change	\$ 171,481	\$ 162,384

General Fund:

The General Fund is the chief operating fund of the Village of Fowlerville. Unless otherwise required by statute, contractual agreement, or Board policy all Village of Fowlerville revenue and expenditures are recorded in the General Fund. As of June 30, 2007, the General Fund reported a fund balance of \$774,662. This amount is an increase of \$171,481 from the fund balance of \$603,181 reported as of June 30, 2006.

The General Fund fiscal year 2007 revenues exceeded expenditures by \$114,417 and the net other financing sources of the General Fund of \$57,064 increased the fund balance by \$171,481.

General Fund Budgetary Highlights:

The Village of Fowlerville's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues and other financing sources totaled \$1,845,672; \$148 more than the final amended budget. The most significant variation was the Federal and State revenue, which had a negative variation of \$8,599. This was caused by less State Shared Revenue than originally budgeted for.

The Village of Fowlerville's expenditures totaled \$1,674,191; \$142,768 below the final amended budget. The most significant variation was in the area of refuse collection, which had a positive variation of \$39,822.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Water & Sewer Funds:

The Water Fund had an increase in its net assets of \$75,704. Operating revenues showed an increase of \$61,513, while total operating expenses increased by \$93,013. In 2007 the Water Fund had total operating expenses of \$412,199 and total operating revenues of \$468,706 for an operating income of \$56,507. This increase was due to large jobbing (hook-up) fees not anticipated to be received in this fiscal year.

The Sewer Fund experienced an increase in net assets totaling \$443,668 in 2007. Operating revenues increased by \$106,346 and operating expenses increased by \$99,262. This was due to the jobbing (hook-up) fees and a rebate from the County in the amount of \$220,000 for engineering fees on the Waste Water treatment Plant. In 2007, the Sewer Fund had total operating expenses of \$523,095 and total operating revenues of \$816,604 for operating income of \$293,509.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2007, the Village of Fowlerville had invested \$1,879,101 and \$9,149,703 (net of accumulated depreciation) for governmental and business-type capital assets (including construction in progress), respectively. Additions to the governmental activities include additions to infrastructure in the amount of \$190,192 for construction on Hale Street, Frank Street and N. Grand Street. Governmental Activities also had additions to land of \$106,746. Significant additions to the business-type capital assets include improvements to the sewer system in the Sewer Fund. Accumulated depreciation was \$1,526,591 for the governmental activities and \$2,678,800 for the business-type activities. Depreciation charges for the fiscal year totaled \$207,002 for the governmental activities and \$241,593 for the business-type activities. For more detailed information related to capital assets, refer to pages 21-23 of the financial statements.

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Land	\$ 256,678	\$ 422,764	\$ 679,442
Land Improvements, net	26,704	-	26,704
Construction in progress	60,331	176,145	236,476
Buildings, net	549,316	3,449,874	3,999,190
Vehicles, net	174,838	30,833	205,671
Furniture/Other, net	88,597	63,196	151,793
Infrastructure, net	722,637	-	722,637
Water System, net	-	1,826,975	1,826,975
Sewer System, net	-	3,179,916	3,179,916
Capital assets, net	<u>\$ 1,879,101</u>	<u>\$ 9,149,703</u>	<u>\$ 11,028,804</u>

Long-term Debt - As of June 30, 2007, the Village of Fowlerville had \$109,167 in bonds and accumulated vacation and sick time outstanding for the governmental activities. Of this amount, \$25,000 is bonds and \$84,167 is compensated absences. This level of net obligation is \$54,965 less than the obligation recorded as of June 30, 2006.

The business-type activities showed total outstanding of \$3,126,238 as of June 30, 2007. The debt is comprised of bonds in the amount of \$3,100,000 and a land contract of \$26,238. The level of net obligation \$121,308 lower than the obligation recorded as of June 30, 2006.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Outstanding Debt as of June 30, 2007:

Primary Government Governmental Activities	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>
Bonds	\$ 78,750	\$ -	\$ 53,750	\$ 25,000
Compensated absences	<u>85,382</u>	<u>17,245</u>	<u>18,460</u>	<u>84,167</u>
Total Governmental Activities	164,132	17,245	72,210	109,167
Business Type Activities				
Water and Sewer Bonds	3,200,000	-	100,000	3,100,000
Land Contract Payable	39,948	-	13,710	26,238
Compensated absences	<u>7,598</u>	<u>-</u>	<u>7,598</u>	<u>-0-</u>
Total Business Type Activities	<u>3,247,546</u>	<u>-0-</u>	<u>121,308</u>	<u>3,126,238</u>
Total Primary Government	<u>\$ 3,411,678</u>	<u>\$ 17,245</u>	<u>\$ 193,518</u>	<u>\$ 3,235,405</u>

Limitations on Debt:

State statute limits the Village of Fowlerville's debt obligations to ten (10) percent of the current state equalized value (SEV). The Village of Fowlerville's SEV, as of June 30, 2007, was \$123,679,530; therefore the Village of Fowlerville's debt limitation was \$12,367,953. The Village of Fowlerville remains well below its legal debt limit.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of Fowlerville.

Waste Water Treatment Plant went on line during the Fall of 2006. The costs to run the plant and the debt payments will make it necessary to continue to review sewer rates to ensure proration of revenue to actual expenditures.

The Village was in the process of undertaking a Water and Sewer Rate Study at the close of the fiscal year to consider water and sewer rates and to see if any increases were needed which will impact future years.

The Village has undertaken an aggressive road reconstruction project throughout the Village. Significant amounts of the street and general funds will be required to complete this project.

The Livingston County Economic Development Council and the Village of Fowlerville continue to recruit new businesses for the industrial parks and industrial properties in the Village to bring additional family-sustaining jobs to our community.

CONTACTING THE VILLAGE OF FOWLerville

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village of Fowlerville's finances and to demonstrate the Village of Fowlerville's accountability for the money it receives. If there are questions about this report or a need for additional information contact the Village Manager's Office at (517) 223-3771.

BASIC FINANCIAL STATEMENTS



Village of Fowlerville

STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 727,458	\$ 548,682	\$ 1,276,140	\$ 853,201
Investments	750,000	1,100,000	1,850,000	
Receivables	80,166	471,590	551,756	-
Due from other governmental units	321,683	-	321,683	-
Inventory	-	20,365	20,365	-
Current portion of contracts receivable	-	-	-0-	2,619
Prepays	18,976	-	18,976	
Internal balances	2,155	(2,155)	-0-	-
Total current assets	1,900,438	2,138,482	4,038,920	855,820
Noncurrent assets				
Capital assets not being depreciated	317,009	598,909	915,918	1,911,210
Capital assets, net of accumulated depreciated	1,562,092	8,550,794	10,112,886	726,000
Noncurrent portion of contracts receivable	-	-	-0-	17,123
Total noncurrent assets	1,879,101	9,149,703	11,028,804	2,654,333
TOTAL ASSETS	3,779,539	11,288,185	15,067,724	3,510,153
LIABILITIES				
Accounts payable	62,798	89,846	152,644	8,634
Accrued wages	27,928	-	27,928	-
Other accrued liabilities	38,233	3,557	41,790	56,532
Due to other governments - local	5	5,661	5,666	-
Accrued interest payable	851	11,189	12,040	31,886
Current portion of compensated absences	6,382	-	6,382	-
Current portion of long-term debt	12,500	119,628	132,128	285,000
Total current liabilities	148,697	229,881	378,578	382,052
Noncurrent liabilities				
Noncurrent portion of compensated absences	77,785	-	77,785	-
Noncurrent portion of long-term debt	12,500	3,006,610	3,019,110	2,810,000
Total noncurrent liabilities	90,285	3,006,610	3,096,895	2,810,000
TOTAL LIABILITIES	238,982	3,236,491	3,475,473	3,192,052
NET ASSETS				
Invested in capital assets, net of related debt	1,854,101	6,023,465	7,877,566	287,210
Restricted for:				
Streets	282,934	-	282,934	-
Unrestricted	1,403,522	2,028,229	3,431,751	30,891
TOTAL NET ASSETS	\$ 3,540,557	\$ 8,051,694	\$ 11,592,251	\$ 318,101

See accompanying notes to financial statements.

Village of Fowlerville

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 535,706	\$ 387,129	\$ 6,830	\$ -	\$ (141,747)	\$ -	\$ (141,747)	\$ -
Public safety	558,677	9,479	42,471	-	(506,727)	-	(506,727)	-
Public works	623,867	294,329	200,084	102,980	(26,474)	-	(26,474)	-
Health and welfare	-	-	7,350	-	7,350	-	7,350	-
Recreation and cultural	62,185	-	10,000	-	(52,185)	-	(52,185)	-
Community and economic development	8,830	-	-	-	(8,830)	-	(8,830)	-
Interest on long-term debt	3,704	-	-	-	(3,704)	-	(3,704)	-
Total governmental activities	1,792,969	690,937	266,735	102,980	(732,317)	-0-	(732,317)	-0-
Business-type activities:								
Sewer	659,670	816,604	-	222,278	-	379,212	379,212	-
Water	414,392	468,706	-	-	-	54,314	54,314	-
Total business-type activities	1,074,062	1,285,310	-0-	222,278	-0-	433,526	433,526	-0-
Total primary government	\$ 2,867,031	\$ 1,976,247	\$ 266,735	\$ 325,258	(732,317)	433,526	(298,791)	-0-
Component units:								
Downtown Development Authority	\$ 254,063	\$ 2,710	\$ -	\$ -	-	-	-0-	(251,353)
Local Development Finance Authority	449,682	-	-	-	-	-	-0-	(449,682)
Total component units	\$ 703,745	\$ 2,710	\$ -0-	\$ -0-	-0-	-0-	-0-	(701,035)
General revenues:								
Property taxes					974,255	-	974,255	1,074,447
State shared revenue					287,693	-	287,693	-
Investment earnings					66,730	85,846	152,576	51,173
Miscellaneous					14,365	-	14,365	250
Total general revenues					1,343,043	85,846	1,428,889	1,125,870
Change in net assets					610,726	519,372	1,130,098	424,835
Restated net assets, beginning of the year					2,929,831	7,532,322	10,462,153	(106,734)
Net assets, end of the year					\$ 3,540,557	\$ 8,051,694	\$ 11,592,251	\$ 318,101

See accompanying notes to financial statements.

Village of Fowlerville

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 187,754	\$ 480,774	\$ 668,528
Investments	500,000	100,000	600,000
Accounts receivable	80,166	-	80,166
Prepays	18,976	-	18,976
Due from other governmental units			
Federal/State	92,264	229,419	321,683
Due from other funds	875	-	875
TOTAL ASSETS	\$ 880,035	\$ 810,193	\$ 1,690,228
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Account payable	\$ 37,941	\$ 21,668	\$ 59,609
Accrued wages	27,928	-	27,928
Other accrued liabilities	35,974	1,183	37,157
Due to other funds	3,400	1,897	5,297
Due to other governmental units - local	5	-	5
Deferred revenue	125	-	125
TOTAL LIABILITIES	105,373	24,748	130,121
FUND BALANCES			
Reserved for:			
Prepays	18,976	-	18,976
Refuse collection	15,817	-	15,817
Cemetery maintenance	28,238	38,688	66,926
Mosquito control	943	-	943
Composting	12,760	-	12,760
Capital projects	-	37,180	37,180
Unreserved			
Undesignated, reported in:			
General fund	697,928	-	697,928
Special revenue funds	-	709,577	709,577
TOTAL FUND BALANCES	774,662	785,445	1,560,107
TOTAL LIABILITIES AND FUND BALANCES	\$ 880,035	\$ 810,193	\$ 1,690,228

See accompanying notes to financial statements.

Village of Fowlerville

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2007

Total fund balances - governmental funds **\$ 1,560,107**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 3,405,692	
Accumulated depreciation is	<u>(1,526,591)</u>	
Capital assets, net		1,879,101

Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	383,605	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(172,363)</u>	
		211,242

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		125
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Bonds and capital lease payable	25,000	
Accrued interest payable	851	
Compensated absences	<u>84,167</u>	
		<u>(110,018)</u>

Net assets of governmental activities		<u><u>\$ 3,540,557</u></u>
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See accompanying notes to financial statements.

Village of Fowlerville

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 755,715	\$ 218,540	\$ 974,255
Licenses and permits	8,928	-	8,928
Intergovernmental	550,984	302,079	853,063
Charges for services	405,598	-	405,598
Fines and forfeits	4,536	1,633	6,169
Interest and rents	39,305	28,446	67,751
Other	23,542	7,349	30,891
TOTAL REVENUES	1,788,608	558,047	2,346,655
EXPENDITURES			
Current			
General government	601,681	-	601,681
Public safety	556,640	-	556,640
Public works	409,805	125,843	535,648
Recreation and cultural	52,501	-	52,501
Community and economic development	9,061	-	9,061
Debt service	22,063	36,225	58,288
Capital outlay	22,440	233,595	256,035
TOTAL EXPENDITURES	1,674,191	395,663	2,069,854
EXCESS OF REVENUES OVER EXPENDITURES	114,417	162,384	276,801
OTHER FINANCING SOURCES (USES)			
Sale of cemetery lots	49,759	-	49,759
Perpetual care	6,480	-	6,480
Sale of capital assets	825	-	825
Transfers in	-	149,249	149,249
Transfers out	-	(149,249)	(149,249)
TOTAL OTHER FINANCING SOURCES (USES)	57,064	-0-	57,064
NET CHANGE IN FUND BALANCES	171,481	162,384	333,865
Fund balances, beginning of year	603,181	623,061	1,226,242
Fund balances, end of year	\$ 774,662	\$ 785,445	\$ 1,560,107

See accompanying notes to financial statements.

Village of Fowlerville

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Net change in fund balances - total governmental funds **\$ 333,865**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	\$ (207,002)	
Capital outlay	<u>414,352</u>	
Excess of capital outlay over depreciation expense		207,350
Net effect of disposal of capital assets		(31,015)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in Net Assets of Internal Service Funds	13,225	
Depreciation expense of Internal Service Funds included in the total above	56,965	
Capital outlay of Internal Service Funds included in the total above	(24,679)	
Change in long-term liabilities of Internal Service Funds included in the totals below	<u>(760)</u>	
		44,751

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (24)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt principal retirement	53,750
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	834	
Decrease in accrued compensated absences	<u>1,215</u>	
		<u>2,049</u>

Change in net assets of governmental activities **\$ 610,726**

See accompanying notes to financial statements.

Village of Fowlerville
Proprietary Funds
STATEMENT OF NET ASSETS
June 30, 2007

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 377,057	\$ 171,625	\$ 548,682	\$ 58,930
Investments	900,000	200,000	1,100,000	150,000
Receivables				
Accounts	274,588	149,167	423,755	-
Special assessment	47,835	-	47,835	-
Inventory	-	20,365	20,365	-
Due from other funds	1,221	-	1,221	6,577
Total current assets	1,600,701	541,157	2,141,858	215,507
Noncurrent assets				
Capital assets, not being depreciated	186,340	412,569	598,909	-
Capital assets, net of accumulated depreciation	6,691,127	1,859,667	8,550,794	172,363
Total noncurrent assets	6,877,467	2,272,236	9,149,703	172,363
TOTAL ASSETS	8,478,168	2,813,393	11,291,561	387,870
LIABILITIES				
Current liabilities				
Accounts payable	73,328	16,518	89,846	3,189
Accrued liabilities	500	3,057	3,557	1,076
Accrued interest payable	11,189	-	11,189	-
Due to other funds	548	2,828	3,376	-
Due to other governmental units - local	-	5,661	5,661	-
Current portion of long-term debt	105,000	14,628	119,628	-
Total current liabilities	190,565	42,692	233,257	4,265
Noncurrent liabilities				
Noncurrent portion of long-term debt	2,995,000	11,610	3,006,610	-
TOTAL LIABILITIES	3,185,565	54,302	3,239,867	4,265
NET ASSETS				
Investment in capital assets, net of related debt	3,777,467	2,245,998	6,023,465	172,363
Unrestricted	1,515,136	513,093	2,028,229	211,242
TOTAL NET ASSETS	\$ 5,292,603	\$ 2,759,091	\$ 8,051,694	\$ 383,605

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2007

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
OPERATING REVENUES				
Charges for services	\$ 816,604	\$ 468,706	\$ 1,285,310	\$ 174,674
OPERATING EXPENSES				
Administrative	83,447	124,477	207,924	105,533
Wastewater operations	296,748	-	296,748	-
Water distribution	-	189,029	189,029	-
Depreciation	142,900	98,693	241,593	56,965
TOTAL OPERATING EXPENSES	523,095	412,199	935,294	162,498
OPERATING INCOME	293,509	56,507	350,016	12,176
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	64,456	21,390	85,846	9,743
Interest expense and fiscal agent fees	(136,575)	(2,193)	(138,768)	(8,694)
TOTAL NONOPERATING REVENUES (EXPENSES)	(72,119)	19,197	(52,922)	1,049
NET INCOME BEFORE CAPITAL GRANT REVENUE	221,390	75,704	297,094	13,225
CAPITAL GRANT REVENUE				
Local sources	222,278	-	222,278	-
CHANGE IN NET ASSETS	443,668	75,704	519,372	13,225
Net assets, beginning of year	4,848,935	2,683,387	7,532,322	370,380
Net assets, end of year	\$ 5,292,603	\$ 2,759,091	\$ 8,051,694	\$ 383,605

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 832,269	\$ 437,786	\$ 1,270,055	\$ 168,097
Cash paid to suppliers	(286,046)	(382,750)	(668,796)	(76,843)
Cash paid for employee benefits	(16,318)	(40,267)	(56,585)	(12,889)
Cash paid to employees	(10,913)	(49,990)	(60,903)	(18,585)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	518,992	(35,221)	483,771	59,780
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contribution	222,278	-	222,278	-
Capital purchases	(257,720)	(72,451)	(330,171)	(24,679)
Principal payments	(100,000)	(13,710)	(113,710)	-
Interest expense and fees	(136,575)	(2,193)	(138,768)	(8,694)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(272,017)	(88,354)	(360,371)	(33,373)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(900,000)	(200,000)	(1,100,000)	(150,000)
Interest revenue	64,456	21,390	85,846	9,743
NET CASH USED BY INVESTING ACTIVITIES	(835,544)	(178,610)	(1,014,154)	(140,257)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(588,569)	(302,185)	(890,754)	(113,850)
Cash and cash equivalents, beginning of year	965,626	473,810	1,439,436	172,780
Cash and cash equivalents, end of year	\$ 377,057	\$ 171,625	\$ 548,682	\$ 58,930

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2007

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 293,509	\$ 56,507	\$ 350,016	\$ 12,176
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	142,900	98,693	241,593	56,965
(Increase) in accounts receivable	(113,784)	(29,789)	(143,573)	-
(Increase) in special assessment receivable	(9,048)	-	(9,048)	-
(Increase) decrease in due from other funds	138,497	-	138,497	(6,577)
(Increase) in inventory	-	(1,131)	(1,131)	-
Increase (decrease) in accounts payable	72,395	3,257	75,652	(2,623)
Increase (decrease) in accrued liabilities	(2,029)	(546)	(2,575)	599
(Decrease) in accrued interest payable	(197)	-	(197)	-
Increase (decrease) in due to other funds	548	(161,868)	(161,320)	-
Increase in due to other governmental units - local	-	3,455	3,455	-
(Decrease) in compensated absences	(3,799)	(3,799)	(7,598)	(760)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 518,992</u>	<u>\$ (35,221)</u>	<u>\$ 483,771</u>	<u>\$ 59,780</u>

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2007

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
ASSETS			
Current assets			
Cash and cash equivalents	\$ 76,648	\$ 776,553	\$ 853,201
Current portion of contracts receivable	2,619	-	2,619
Total current assets	79,267	776,553	855,820
Noncurrent assets			
Capital assets not being depreciated	-	1,911,210	1,911,210
Capital assets, net of accumulated depreciation	-	726,000	726,000
Noncurrent portion of contracts receivable	17,123	-	17,123
Total noncurrent assets	17,123	2,637,210	2,654,333
TOTAL ASSETS	96,390	3,413,763	3,510,153
LIABILITIES			
Current liabilities			
Accounts payable	1,074	7,560	8,634
Accrued liabilities	-	56,532	56,532
Accrued interest payable	5,800	26,086	31,886
Current portion of long-term debt	60,000	225,000	285,000
Total current liabilities	66,874	315,178	382,052
Noncurrent liabilities			
Noncurrent portion of long-term debt	685,000	2,125,000	2,810,000
TOTAL LIABILITIES	751,874	2,440,178	3,192,052
NET ASSETS			
Invested in capital assets, net of related debt	-	287,210	287,210
Unrestricted net assets	(655,484)	686,375	30,891
TOTAL NET ASSETS	<u>\$ (655,484)</u>	<u>\$ 973,585</u>	<u>\$ 318,101</u>

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
Program Expenses			
Community and economic development	\$ 254,063	\$ 449,682	\$ 703,745
Program Revenues			
Charges for service	2,710	-	2,710
NET PROGRAM EXPENSES	(251,353)	(449,682)	(701,035)
General Revenues			
Property taxes	261,715	812,732	1,074,447
Interest	12,999	38,174	51,173
Miscellaneous	250	-	250
TOTAL GENERAL REVENUES	274,964	850,906	1,125,870
CHANGE IN NET ASSETS	23,611	401,224	424,835
Restated net assets, beginning of the year	(679,095)	572,361	(106,734)
Net assets, end of the year	\$ (655,484)	\$ 973,585	\$ 318,101

See accompanying notes to financial statements.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Located in Livingston County, Michigan, Fowlerville is incorporated as a general law village in which citizens elect the council members and officers. The Village is not included in any other governmental "reporting entity", as defined by the *Government Accounting Standards Board (GASB)*, since council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Village provides the following services, as authorized by its charter, to approximately 2,972 residents: public safety (police), public improvements (streets, sidewalks, sewers, and water system), planning and zoning, recreation and general administrative services. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Village of Fowlerville (primary government) and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. All component units are included in the Village's audit and are not audited separately.

2. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the Village of Fowlerville remains financially accountable for these entities or the nature and significance of the relationship between these entities and the Village of Fowlerville is such that exclusion of these entities would render the financial statements misleading or incomplete.

Downtown Development Authority (DDA) - The Authority is responsible for the management of property tax revenues captured in the DDA district within the Village boundaries. Members of the DDA board are appointed by the Village council and the council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. There are no separate financial statements issued for the DDA.

Local Development Finance Authority (LDFA) - The Authority is responsible for the management of property tax revenues captured in the LDFA district in the Village boundaries. Members of the LDFA board are appointed by the Village council and the council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. There are no separate financial statements issued for the LDFA.

3. Joint Venture

Fowlerville Area Fire Authority - The Fowlerville Area Fire Authority was created on January 1, 2005 by a joint venture agreement between the Townships of Handy, Iosco, and Conway and the Village of Fowlerville. The Authority is considered a Municipal Emergency Service Authority as provided in the Emergency Services to Municipalities Act, 1988 PA57, MCL 124.601. The remaining formation and operating guidelines, etc. are detailed in the Authority's Articles of Incorporation and Bylaws and are maintained in the Authority's administrative offices. Each Township appoints one (1) member and the Village appoints one (1) member to the Board. The Chief oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All activities of the primary government are included. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Sewer Fund is used to account for the operations required to providing sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.
- c. The Water Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

The Village also reports an internal service fund to account for the management of mobile equipment provided to other departments of the Village on a cost reimbursement basis.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The Village Manager is required to submit to the Village Council a proposed operating budget for the commencing fiscal year prior to its start each year. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through passage of a resolution.
- d. The Village Manager is authorized to transfer budget amounts of \$500 or less between departments within any fund with subsequent Council ratification. Any revisions altering the total expenditures of a particular fund must be approved by the Council. Annual appropriations lapse at fiscal year end.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - continued

- e. Budgets for the General and Special Revenue Funds are adopted on an activity basis and are consistent with accounting principles generally accepted in the United States of America.
- f. Budgeted amounts are reported as originally adopted or amended by the Village Council during the year.

8. Cash, Cash Equivalents, and Investments

Cash consists of various savings and money market checking accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less. The cash and cash equivalents are recorded at cost, which approximates market value. Investments consist of certificates of deposit with an original maturity of more than 90 days.

9. Property Tax

The Village of Fowlerville bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Fowlerville on July 1 and are payable without penalty through September 15. The July 1 levy is composed of the Village's millage, voted millage, and special assessments. All real property taxes not paid to the Village by the due date are turned over to the Livingston County Treasurer for collection. The Livingston County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection.

The Village is permitted to levy taxes up to 12.5 mills (\$12.50 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2007, the Village levied 8.5048 mills per \$1,000 of assessed valuation for general governmental services, .6802 for cemetery maintenance, 2.0409 for garbage service, 3.4017 for street lights and .4698 for mosquito control. The total Taxable Value for the 2006 levy for property within the Village was \$94,740,320.

10. Inventories

Inventories in the Enterprise Funds consist of Water Department supplies which are stated at the lower of cost or market on the first in - first out basis.

11. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

12. Compensated Absences

Village employees are granted sick/personal leave in varying amounts. In the event of termination, an employee is paid for portions of accumulated sick/personal time. Employees are not paid for accumulated vacation. All employees with accumulated unused sick/personal time pay at June 30, 2007 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

Employees accrue vacation time throughout the year based on prior year's service. Vacation time must be used or lost, with limited exceptions.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Capital Assets

Capital assets include buildings, equipment, vehicles, and infrastructure, and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	10 - 40 years
Water system and improvements	7 - 50 years
Infrastructure	20 - 30 years

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of June 30, 2007, the carrying amounts of the Village's deposits were \$1,903,515 and the bank balance was \$1,984,203, of which \$202,253 was covered by federal depository insurance. The balance of \$1,781,950 was uninsured and uncollateralized. The primary government had \$3,902 of imprest cash on hand.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Savings	\$ 2,253	\$ 2,253
Checking	51,262	131,950
Certificates of deposit	<u>1,850,000</u>	<u>1,850,000</u>
TOTAL	<u>\$ 1,903,515</u>	<u>\$ 1,984,203</u>

Investments

As of June 30, 2007, the carrying amount and market value for the investment is as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government			
Uncategorized pooled investment funds			
Chase Bank - Government operating MM fund	\$ 1,218,723	\$ 1,218,678	N/A

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Investments - continued

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Component Units			
Uncategorized pooled investment funds			
Chase Bank - Government operating MM fund	\$ 853,201	\$ 853,201	N/A
	<u>\$ 2,071,924</u>	<u>\$ 2,071,879</u>	

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Village's investment in the Government Operating Money Market Fund is rate AAA by Moody's.

Interest rate risk

The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

Concentration of credit risk

The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Village will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Village will do business in accordance with Council approved policy.

The cash, cash equivalents, and investments referred to above have been reported in the cash and cash equivalents and investments captions in the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2007:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,276,140	\$ 853,201	\$ 2,129,341
Investments	<u>1,850,000</u>	<u>-</u>	<u>1,850,000</u>
Total	<u>\$ 3,126,140</u>	<u>\$ 853,201</u>	<u>\$ 3,979,341</u>

Village of Fowlerville
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at June 30, 2007:

Due to General Fund from:	
Water Fund	\$ 875
Due to internal service fund from:	
General Fund	3,400
Sewer Fund	548
Water Fund	732
Nonmajor governmental funds	<u>1,897</u>
	6,577
Due to Sewer Fund from:	
Water Fund	<u>1,221</u>
Total interfund receivables and payables	<u>\$ 8,673</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds, and component units have been eliminated.

Transfers to nonmajor governmental funds from:	
Municipal Street Fund	\$ 113,000
Nonmajor governmental funds	<u>36,249</u>
	149,249
Transfers to component unit funds from:	
Component unit funds	<u>110,580</u>
	<u>\$ 259,829</u>

NOTE E: LONG-TERM CONTRACTS RECEIVABLE

The Village has several loans to individuals and businesses made through the Downtown Development Authority. The amounts attributable to these long-term contracts receivable have been recorded in the Downtown Development Authority Special Revenue Fund as contracts receivable and deferred revenue. The following is a summary of future annual revenue from debtors that currently have signed promissory notes with the Village:

Village of Fowlerville
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE E: LONG-TERM CONTRACTS RECEIVABLE - CONTINUED

Year Ending June 30,	<u>Contracts Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,619	\$ 622
2009	2,715	527
2010	2,813	429
2011	2,916	326
2012	2,114	225
2013-2015	<u>6,565</u>	<u>476</u>
	<u>\$ 19,742</u>	<u>\$ 2,605</u>

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government

	<u>Restated Balance July 1, 2006</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2007</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 149,932	\$ 106,746	\$ -	\$ 256,678
Construction in progress	<u>212,005</u>	<u>60,331</u>	<u>(212,005)</u>	<u>60,331</u>
	361,937	167,077	(212,005)	317,009
Capital assets being depreciated				
Land improvements	242,549	-	-	242,549
Buildings	914,023	2,592	-	916,615
Vehicles	609,361	43,828	(71,314)	581,875
Machinery and equipment	623,704	10,663	(48,755)	585,612
Infrastructure	<u>359,835</u>	<u>402,197</u>	<u>-</u>	<u>762,032</u>
Subtotal	2,749,472	459,280	(120,069)	3,088,683
Accumulated depreciation				
Land improvements	(192,135)	(23,710)	-	(215,845)
Buildings	(330,413)	(36,886)	-	(367,299)
Vehicles	(391,736)	(66,295)	50,994	(407,037)
Machinery and equipment	(492,360)	(42,715)	38,060	(497,015)
Infrastructure	<u>(1,999)</u>	<u>(37,396)</u>	<u>-</u>	<u>(39,395)</u>
Subtotal	<u>(1,408,643)</u>	<u>(207,002)</u>	<u>89,054</u>	<u>(1,526,591)</u>
Net capital assets being depreciated	<u>1,340,829</u>	<u>252,278</u>	<u>(31,015)</u>	<u>1,562,092</u>
Total net capital assets	<u>\$ 1,702,766</u>	<u>\$ 419,355</u>	<u>\$ (243,020)</u>	<u>\$ 1,879,101</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE F: CAPITAL ASSETS - CONTINUED

Governmental activities - continued

Depreciation expense was charged to the following governmental activities:

General government	\$ 77,880
Public safety	16,227
Public works	101,873
Recreation and cultural	<u>11,022</u>
Total depreciation expense	<u>\$ 207,002</u>

	<u>Balance July 1, 2006</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2007</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 529,507	\$ -	\$ (106,743)	\$ 422,764
Construction in progress	<u>3,513,667</u>	<u>176,145</u>	<u>(3,513,667)</u>	<u>176,145</u>
Subtotal	4,043,174	176,145	(3,620,410)	598,909
Capital assets being depreciated				
Buildings	218,266	3,425,731	-	3,643,997
Machinery and equipment	416,270	5,130	-	421,400
Vehicles	51,986	-	-	51,986
Sewer system	4,146,917	129,853	-	4,276,770
Water system	<u>2,711,719</u>	<u>213,722</u>	<u>-</u>	<u>2,925,441</u>
Subtotal	7,545,158	3,774,436	-0-	11,319,594
Less accumulated depreciation				
Buildings	(155,235)	(38,888)	-	(194,123)
Machinery and equipment	(332,538)	(25,666)	-	(358,204)
Vehicles	(13,727)	(7,426)	-	(21,153)
Sewer system	(1,018,989)	(77,865)	-	(1,096,854)
Water system	<u>(1,006,718)</u>	<u>(91,748)</u>	<u>-</u>	<u>(1,098,466)</u>
Subtotal	<u>(2,527,207)</u>	<u>(241,593)</u>	<u>-0-</u>	<u>(2,768,800)</u>
Net capital assets being depreciated	<u>5,017,951</u>	<u>3,532,843</u>	<u>-0-</u>	<u>8,550,794</u>
Total net capital assets	<u>\$ 9,061,125</u>	<u>\$ 3,708,988</u>	<u>\$(3,620,410)</u>	<u>\$ 9,149,703</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE F: CAPITAL ASSETS - CONTINUED

Component Unit

	<u>Restated Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Local Development Finance Authority				
Capital assets not being depreciated				
Construction in progress	\$ 1,240,067	\$ 671,143	\$ -	\$ 1,911,210
Capital assets being depreciated				
Infrastructure	990,000	-	-	990,000
Less accumulated depreciation				
Infrastructure	(198,000)	(66,000)	-	(264,000)
Net capital assets being depreciated	<u>792,000</u>	<u>(66,000)</u>	<u>-0-</u>	<u>726,000</u>
Total net capital assets	<u>\$ 2,032,067</u>	<u>\$ 605,143</u>	<u>\$ -0-</u>	<u>\$ 2,637,210</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Amount Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
Transportation Bonds	\$ 35,000	\$ -	\$ 35,000	\$ -0-	\$ -
Livingston County Drain Bond	43,750	-	18,750	25,000	12,500
Compensated absences	<u>85,382</u>	<u>17,245</u>	<u>18,460</u>	<u>84,167</u>	<u>6,382</u>
	164,132	17,245	72,210	109,167	18,882
Business-type Activities					
Sewer Fund					
2005 Sewer Improvement Bonds	3,200,000	-	100,000	3,100,000	105,000
Compensated absences	3,799	-	3,799	-0-	-
Water Fund					
Land Contract	39,948	-	13,710	26,238	14,628
Compensated absences	<u>3,799</u>	<u>-</u>	<u>3,799</u>	<u>-0-</u>	<u>-</u>
	<u>3,247,546</u>	<u>-0-</u>	<u>121,308</u>	<u>3,126,238</u>	<u>119,628</u>
TOTAL PRIMARY GOVERNMENT	3,411,678	17,245	193,518	3,235,405	138,510

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: LONG-TERM DEBT - CONTINUED

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amount Due Within One Year
COMPONENT UNITS					
Downtown Development Authority					
2002 General Obligation Bonds	\$ 800,000	\$ -	\$ 55,000	\$ 745,000	\$ 60,000
Local Development Finance Authority					
Local Development Bonds - 2005	1,430,000	-	50,000	1,380,000	50,000
Local Development Bonds - 2001	765,000	-	50,000	715,000	50,000
Local Development Bonds - 1998	<u>370,000</u>	<u>-</u>	<u>115,000</u>	<u>255,000</u>	<u>125,000</u>
	<u>2,565,000</u>	<u>-0-</u>	<u>215,000</u>	<u>2,350,000</u>	<u>225,000</u>
TOTAL COMPONENT UNITS	<u>3,365,000</u>	<u>-0-</u>	<u>270,000</u>	<u>3,095,000</u>	<u>285,000</u>
TOTAL REPORTING ENTITY	<u>\$ 6,776,678</u>	<u>\$ 17,245</u>	<u>\$ 463,518</u>	<u>\$ 6,330,405</u>	<u>\$ 423,510</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Obligation Bonds

Livingston County Drain #4 Bond issue of \$312,500, due in annual installments of \$12,500 plus interest through 2009, with interest at 7.70 percent.	\$ 25,000
2005 Sewer Improvement Bond issue of \$3,200,000, due in annual installments ranging from \$105,000 to \$235,000 plus interest through 2026, with interest ranging from 3.90 to 5.00 percent	<u>3,100,000</u>
	<u>\$ 3,125,000</u>

Municipal Purchase Contracts

The following loans are considered installment purchases under Act No. 99 PA of 1933, as amended, and are not subject to State of Michigan Department of Treasury approval:

Land contract of \$99,000 with monthly installments of principal and interest of \$1,325 through 2009, with interest at 6.5 percent.	<u>\$ 26,238</u>
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COMPONENT UNITS

General Obligation Bonds

1998 Van Riper Road Extension Bond issue of \$990,000, due in annual installments ranging from \$125,000 to \$130,000 plus interest through 2008, with interest ranging from 6.15 to 6.20 percent.	\$ 255,000
2001 Garden Lane Extension Bond issue of \$990,000, due in monthly installments ranging from \$50,000 to \$100,000 plus interest through 2016, with interest ranging from 4.20 to 5.00 percent.	715,000

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNITS - CONTINUED

General Obligation Bonds - continued

2002 Development Bond issue of \$990,000, due in monthly installments ranging from \$60,000 to \$90,000 plus interest through 2016, with interest ranging from 4.20 to 5.00 percent. \$ 745,000

2005 Local Development Bond issue of \$1,430,000, due in annual installments ranging from \$50,000 to \$185,000 plus interest through 2016, with interest ranging from 4.00 to 4.50 percent. 1,380,000

\$ 3,095,000

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick leave. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$84,167 at June 30, 2007.

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds and loans are as follows:

Primary Government

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Installment Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 117,500	\$ 132,730	\$ 14,628	\$ 1,275
2009	122,500	128,635	11,610	317
2010	115,000	62,173	-	-
2011	120,000	59,901	-	-
2012	125,000	57,501	-	-
2013-2017	730,000	406,810	-	-
2018-2022	910,000	399,703	-	-
2023-2027	<u>885,000</u>	<u>53,204</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,125,000</u>	<u>\$ 1,300,657</u>	<u>\$ 26,238</u>	<u>\$ 1,592</u>

Component Units

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 285,000	\$ 99,061
2009	305,000	90,908
2010	320,000	69,760
2011	330,000	71,440
2012	340,000	41,053
2013-2017	<u>1,515,000</u>	<u>200,022</u>
	<u>\$ 3,095,000</u>	<u>\$ 572,244</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE H: RETIREMENT PLAN

Plan Description

The Village of Fowlerville approved participation in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Village of Fowlerville. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for eligible employees was established by the Village Council. The plan requires no contribution from the employees.

Annual Pension Cost

For year ended June 30, 2007, the Village of Fowlerville's annual pension cost of \$43,994 for the plan was equal to the Village of Fowlerville's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	As of December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 2,373,181	\$ 2,537,778	\$ 2,771,637
Actuarial accrued liability (AAL) (entry age)	2,179,046	2,475,223	2,621,945
Unfunded (overfunded) AAL	(194,135)	(62,555)	(89,692)
Funded ratio	109 %	103 %	103 %
Covered payroll	638,086	491,201	475,841
UAAL as a percentage of covered payroll	-0- %	-0- %	-0- %

	Year Ended June 30,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ 26,957	\$ 43,384	\$ 43,994
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-0-	-0-	-0-

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I: RISK MANAGEMENT

The Village participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, additional equipment, boiler and machinery, official bond and oath, crime, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

NOTE J: FUND EQUITY RESERVES

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of June 30, 2007:

Fund Balances

General Fund

Reserved for prepaids	\$ 18,976
Reserved for refuse collection	15,817
Reserved for mosquito control	943
Reserved for composting	12,760
Reserved for cemetery maintenance	<u>28,238</u>
	<u>\$ 76,734</u>

Nonmajor governmental funds

Reserved for capital projects	\$ 37,180
Reserved for cemetery maintenance	<u>38,688</u>
	<u>\$ 75,868</u>

Component Unit Funds

LDFA	
Reserved for debt service	\$ 685
Reserved for capital improvements	473,265
Reserved for sinking fund	<u>97,385</u>
	<u>\$ 571,335</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE K: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2007:

PRIMARY GOVERNMENT
Governmental activities
Restricted for
Streets

\$ 282,934

NOTE L: CONTRACTUAL COMMITMENTS

The Village has also entered into a contract for Frank and East Street reconstruction that was not completed at June 30, 2007. The contractual commitment outstanding at June 30, 2007 totaled \$1,303,959. The Village plans to cover this commitment with existing fund equity and General Obligation bond proceeds.

NOTE M: SUBSEQUENT EVENT

On July 12, 2007, the Village issued General Obligation Capital Improvement Bonds. The bonds, issued in the amount of \$995,000, are for the purpose of reconstruction of Frank and East Streets.

NOTE N: RESTATED NET ASSETS

Beginning net assets of the governmental activities were restated to correctly reflect the amount of capital assets, net of accumulated depreciation, on the Statement of Net Assets as of June 30, 2007. Net assets were increased by \$212,005.

Beginning net assets of the Local Development Finance Authority were restated to correctly reflect the amount of capital assets, net of accumulated depreciation, on the Statement of Net Assets as of June 30, 2007. Net assets were increased by \$651,498.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 750,150	\$ 756,800	\$ 755,715	\$ (1,085)
Licenses and permits	8,500	11,750	8,928	(2,822)
Intergovernmental - Federal/State				
Federal/State	345,300	341,685	333,086	(8,599)
Local	197,000	214,250	217,898	3,648
Total intergovernmental	542,300	555,935	550,984	(4,951)
Charges for services	356,065	409,675	405,598	(4,077)
Fines and forfeits	2,050	4,450	4,536	86
Interest and rents	21,100	35,000	39,305	4,305
Other	7,900	17,289	23,542	6,253
TOTAL REVENUES	1,688,065	1,790,899	1,788,608	(2,291)
OTHER FINANCING SOURCES				
Sale of cemetery lots	40,450	46,300	49,759	3,459
Perpetual care	8,500	7,500	6,480	(1,020)
Sale of capital assets	-	825	825	-0-
TOTAL OTHER FINANCING SOURCES	48,950	54,625	57,064	2,439
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 1,737,015	\$ 1,845,524	\$ 1,845,672	\$ 148

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES

Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Legislative	\$ 25,794	\$ 22,819	\$ 21,033	\$ 1,786
Executive	128,738	130,268	123,812	6,456
Clerk	41,121	39,912	34,395	5,517
Treasurer	103,173	114,836	110,208	4,628
Cemetery operations	83,650	94,346	82,298	12,048
Village hall and grounds	83,525	98,571	80,795	17,776
Other				
Other	30,200	33,080	23,080	10,000
Insurance	60,000	54,500	54,420	80
Contracted services	42,000	71,350	71,640	(290)
Total general government	598,201	659,682	601,681	58,001
Public Safety				
Police department	542,802	567,957	556,640	11,317
Public Works				
Refuse collection	329,481	326,831	287,009	39,822
Sanitary landfill	72,000	114,890	94,013	20,877
Mosquito control	30,200	30,200	28,783	1,417
Total public works	431,681	471,921	409,805	62,116
Recreation and Cultural				
Recreation	48,500	60,206	52,501	7,705
Community and Economic Development				
Planning commission	9,737	11,837	9,061	2,776
Capital Outlay	17,311	23,293	22,440	853
Debt Service				
Principal	18,750	18,750	18,750	-0-
Interest	3,250	3,313	3,313	-0-
Total debt service	22,000	22,063	22,063	-0-
TOTAL EXPENDITURES	<u>\$ 1,670,232</u>	<u>\$ 1,816,959</u>	<u>\$ 1,674,191</u>	<u>\$ 142,768</u>

OTHER SUPPLEMENTARY INFORMATION

Village of Fowlerville

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2007

	Special Revenue		
	Major Street	Local Street	Municipal Street
ASSETS			
Cash and cash equivalents	\$ 35,875	\$ 42,369	\$ 323,133
Investments	-	-	100,000
Due from other governmental units			
Federal/State	119,560	109,859	-
TOTAL ASSETS	\$ 155,435	\$ 152,228	\$ 423,133
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 10,000	\$ 11,668	\$ -
Other accrued liabilities	881	283	19
Due to other funds	1,590	307	-
TOTAL LIABILITIES	12,471	12,258	19
Fund balances			
Reserved for:			
Cemetery maintenance	-	-	-
Capital projects	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	142,964	139,970	423,114
TOTAL FUND BALANCES	142,964	139,970	423,114
TOTAL LIABILITIES AND FUND BALANCES	\$ 155,435	\$ 152,228	\$ 423,133

Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
Drug Law Enforcement	1991 Transportation Bond Debt	Van Riper Road Improvement	Greenwood Cemetery	
\$ 3,529	\$ -	\$ 37,180	\$ 38,688	\$ 480,774
-	-	-	-	100,000
-	-	-	-	229,419
<u>\$ 3,529</u>	<u>\$ -0-</u>	<u>\$ 37,180</u>	<u>\$ 38,688</u>	<u>\$ 810,193</u>
\$ -	\$ -	\$ -	\$ -	\$21,668
-	-	-	-	1,183
-	-	-	-	1,897
-0-	-0-	-0-	-0-	24,748
-	-	-	38,688	38,688
-	-	37,180	-	37,180
3,529	-	-	-	709,577
<u>3,529</u>	<u>-0-</u>	<u>37,180</u>	<u>38,688</u>	<u>785,445</u>
<u>\$ 3,529</u>	<u>\$ -0-</u>	<u>\$ 37,180</u>	<u>\$ 38,688</u>	<u>\$ 810,193</u>

Village of Fowlerville

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	Special Revenue		
	Major Street	Local Street	Municipal Street
REVENUES			
Taxes	\$ -	\$ -	\$ 218,540
Intergovernmental	155,281	146,798	-
Fines and forfeits	-	-	-
Interest and rents	1,483	4,894	18,444
Other	-	-	-
TOTAL REVENUES	156,764	151,692	236,984
EXPENDITURES			
Current			
Public works	54,787	59,058	11,998
Debt service	-	-	-
Capital outlay	105,992	127,603	-
TOTAL EXPENDITURES	160,779	186,661	11,998
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,015)	(34,969)	224,986
OTHER FINANCING SOURCES (USES)			
Transfers in	113,024	-	-
Transfers out	(36,225)	-	(113,000)
TOTAL OTHER FINANCING SOURCES (USES)	76,799	-0-	(113,000)
NET CHANGE IN FUND BALANCES	72,784	(34,969)	111,986
Fund balances, beginning of year	70,180	174,939	311,128
Fund balances, end of year	\$ 142,964	\$ 139,970	\$ 423,114

Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
Drug Law Enforcement	1991 Transportation Bond Debt	Van Riper Road Improvement	Greenwood Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ 218,540
-	-	-	-	302,079
1,633	-	-	-	1,633
132	2	1,776	1,715	28,446
-	-	-	7,349	7,349
1,765	2	1,776	9,064	558,047
-	-	-	-	125,843
-	36,225	-	-	36,225
-	-	-	-	233,595
-0-	36,225	-0-	-0-	395,663
1,765	(36,223)	1,776	9,064	162,384
-	36,225	-	-	149,249
-	(24)	-	-	(149,249)
-0-	36,201	-0-	-0-	-0-
1,765	(22)	1,776	9,064	162,384
1,764	22	35,404	29,624	623,061
<u>\$ 3,529</u>	<u>\$ -0-</u>	<u>\$ 37,180</u>	<u>\$ 38,688</u>	<u>\$ 785,445</u>

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2007

	<u>Special Revenue</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 76,648
Contracts receivable	<u>19,742</u>
TOTAL ASSETS	<u>\$ 96,390</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 1,074
Deferred revenue	<u>19,742</u>
Total liabilities	20,816
FUND BALANCE	
Unreserved - undesignated	<u>75,574</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 96,390</u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2007

Total fund balance - governmental fund	\$	75,574
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue		19,742
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable	\$	745,000	
Accrued interest payable		<u>5,800</u>	
			<u>(750,800)</u>

Net assets of governmental activities	\$	<u>(655,484)</u>
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Village of Fowlerville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2007

	<u>Special Revenue</u>
REVENUES	
Taxes	\$ 261,715
Interest	12,999
Rent	2,710
Miscellaneous	<u>250</u>
TOTAL REVENUES	277,674
EXPENDITURES	
Community and economic development	
Salaries	\$ 4,703
Fringe benefits	2,847
Contracted services	60,431
Supplies	5,217
Printing and publishing	1,071
Repairs and maintenance	24,715
Equipment rental	5,441
Farmers market	2,051
Capital outlay	108,486
Debt service	<u>90,955</u>
TOTAL EXPENDITURES	<u>305,917</u>
NET CHANGES IN FUND BALANCE	(28,243)
Fund balance, beginning of year	<u>103,817</u>
Fund balance, end of year	<u><u>\$ 75,574</u></u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2007

Net change in fund balance - governmental fund	\$	(28,243)
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Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		(3,531)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement		55,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable		<u>385</u>
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Change in net assets of governmental activities	\$	<u>23,611</u>
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Village of Fowlerville

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2007

	Special Revenue	2005 Debt Service	Water Tower/ Gregory Road Capital Project	Total
ASSETS				
Current assets				
Cash and cash equivalents	<u>\$ 288,511</u>	<u>\$ 685</u>	<u>\$ 487,357</u>	<u>\$ 776,553</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 7,560	\$ 7,560
Other accrued liabilities	<u>-</u>	<u>-</u>	<u>56,532</u>	<u>56,532</u>
TOTAL LIABILITIES	-0-	-0-	64,092	64,092
FUND BALANCES				
Reserved for debt service	-	685	-	685
Reserved for capital projects	50,000	-	423,265	473,265
Reserved for sinking fund	97,385	-	-	97,385
Unreserved				
Undesignated, reported in:				
Special revenue funds	<u>141,126</u>	<u>-</u>	<u>-</u>	<u>141,126</u>
TOTAL FUND BALANCES	<u>288,511</u>	<u>685</u>	<u>423,265</u>	<u>712,461</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 288,511</u></u>	<u><u>\$ 685</u></u>	<u><u>\$ 487,357</u></u>	<u><u>\$ 776,553</u></u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2007

Total fund balance - governmental funds \$ 712,461

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,901,210	
Accumulated depreciation is	<u>(264,000)</u>	
		2,637,210

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable	\$ 2,350,000	
Accrued interest payable	<u>26,086</u>	
		<u>(2,376,086)</u>

Net assets of governmental activities \$ 973,585

Village of Fowlerville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2007

	Special Revenue	2005 Debt Service	Water Tower/ Gregory Road Capital Project	Total
REVENUES				
Taxes	\$ 812,732	\$ -	\$ -	\$ 812,732
Interest	10,723	685	26,766	38,174
TOTAL REVENUES	823,455	685	26,766	850,906
EXPENDITURES				
Community and economic development				
Contracted services	8,484	-	-	8,484
Payments to primary government	230,406	-	-	230,406
Other	33,000	-	-	33,000
Debt service	219,690	110,580	-	330,270
Capital outlay	75	-	671,143	671,218
TOTAL EXPENDITURES	491,655	110,580	671,143	1,273,378
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	331,800	(109,895)	(644,377)	(422,472)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	110,580	-	110,580
Transfers out	(110,580)	-	-	(110,580)
TOTAL OTHER FINANCING SOURCES (USES)	(110,580)	110,580	-0-	-0-
NET CHANGE IN FUND BALANCES	221,220	685	(644,377)	(422,472)
Fund balance, beginning of year	67,291	-	1,067,642	1,134,933
Fund balance, end of year	\$ 288,511	\$ 685	\$ 423,265	\$ 712,461

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2007

Net change in fund balances - total governmental funds **\$ (422,472)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 671,143	
Depreciation expense	<u>(66,000)</u>	
Excess of capital outlay over depreciation expense		605,143

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	215,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>3,553</u>
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Change in net assets of governmental activities **\$ 401,224**

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Honorable President and
Members of the Village Council
of the Village of Fowlerville

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Fowlerville's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

PRIOR PERIOD ADJUSTMENTS

As indicated in the basic financial statements, beginning net assets were restated for the governmental activities and component units to correctly reflect the amount of capital assets, net of accumulated depreciation from the prior year. The restatements required were related to infrastructure that was not previously capitalized in the primary government and Local Development Finance Authority. These restatements did not affect the fund financial statements, only the government-wide financial statements. However, these errors were not detected by the Village's internal control over financial reporting in the prior year. This means that the prior year financial statements contained material misstatements that were not detected by management until after June 30, 2006.

We recommend that the Village review procedures related to the review of financial reporting and take steps to ensure that similar issues do not occur in the future.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the significant deficiency described above to be a material weakness.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

This report is intended solely for the information and use of management and Members of the Village Council of the Village of Fowlerville, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY P.C.
Certified Public Accountants

November 8, 2007